

PROFESSIONAL STANDARDS SCHEME

LIVE CHAT: QUESTIONS AND ANSWERS

INTRODUCTION

Have you advised CPA Australia of your self-assessment outcome for CPA Australia's Professional Standards Scheme (**Scheme**)?

Recent live chats provided members with the opportunity to ask any questions they had regarding the self-assessment process, disclosure requirements or general Scheme obligations.

In addition, the live chats addressed:

- who can participate in the Scheme
- who cannot participate in the Scheme
- your self-assessment outcome.

PRIMARY RESOURCES

- [Professional Standards Scheme web landing page](#)
- [Professional standards scheme self-assessment tool](#) (PDF)

Below is an edited, consolidated transcript of the questions and answers from recent live chats.

WHO CAN PARTICIPATE IN THE SCHEME?

The CPA Australia Professional Standards Scheme (**Scheme**) applies to individual members in Australia who hold a current CPA Australia Limited or Public Practice Certificate (**PPC**). Members that hold a limited licence or are a Representative/ Authorised Representative of a limited licensee are also covered under the Scheme.*

** That said, eligible members should consider their full situation to determine if there are other arrangements that would preclude them from participating in the Scheme.*

If you are a Scheme member, you must notify clients (and potential clients) of your limited liability status.

This must be clearly disclosed on business stationery and your website. This notification is in the form of a disclosure statement, which is:

Liability limited by a scheme approved under Professional Standards Legislation.

WHO CANNOT PARTICIPATE IN THE SCHEME?

The Scheme does not cover services provided by members who do not hold a PPC issued by CPA Australia.

The Scheme does not cover services provided by members who directly hold an Australian Financial Services licence (**AFS licence**) that is not a limited licence. Representatives of AFS licensees under section 913B of the Corporations Act, not being a limited licence are also not covered.

What this means for the most part is that members who are Authorised Representatives of any AFS licensee (that is not a limited licensee) will not be covered by the Scheme even if the advice authority is limited or restricted (to say SMSF/ superannuation advice only).

CPA Australia continues to be in consultation with the Professional Standards Council to see if we can broaden the coverage our Scheme.

SCENARIOS AND POLLS

Have you reviewed your situation and completed your self-assessment?

Have you reviewed your situation and completed your self-assessment?



If you have completed your self-assessment, have you advised CPA Australia of the outcome?



You are required to notify CPA Australia of the outcome of your self-assessment to ensure our records correctly reflect your participation in the Scheme.

You can do this by sending an email of your outcome result to publicpractice@cpaaustralia.com.au.

You only need to include two things in your email:

- your member number
- I am [eligible/not eligible] to participate in CPA Australia's Professional Standards Scheme.

If your situation changes, you should review your position to determine whether you are covered. You should advise us of any changes.

If you are unsure whether you can participate in the Scheme, you can use our [self-assessment tool](#) to assist in the self-assessment process.

Scenario 1

- **Member is an Authorised Representative of an AFS licensee**
- **The AFS licensee is not a limited licensee**
- **The member’s authorisation is limited (e.g. restricted to give advice on SMSF advice only, etc.) and**
- **Member offers ‘traditional’ accounting services (whether same or separate entity does not change outcome).**

Is this member able to participate in the Scheme?

Under scenario 1, is the member able to participate in the Scheme?



The correct answer is no.

Members who are Authorised Representatives of any AFS licensee (that is not a limited licensee), will not be covered by the Scheme even if the authority is limited or restricted (to say SMSF/ superannuation advice only).

Under the previous Scheme, the ‘traditional’ accounting services would have been covered and all financial services activities were excluded (except for activities as a limited licensee).

How the current Scheme differs from the previous Scheme is that members can no longer participate in the scheme (at all) for their ‘traditional’ public accounting services even though the financial services continue to be unchanged and are limited financial services.

CPA Australia continues to be in consultation with the Professional Standards Council to see if we can broaden the coverage our scheme. CPA Australia understands the angst the changes for Scheme has caused and continues to examine how we can further enhance our support to members in public practice. We hope to be in a position to provide clarification to members shortly.

True or False: If you are not eligible to participate in the Scheme, your ‘traditional’ accounting services are still covered by the Scheme.



Answer: False.

Under the previous Scheme, the ‘traditional’ accounting services would have been covered and all financial services activities excluded (except for activities as a limited licensee).

Clause 2.1 of the current Scheme is different and members who are not eligible to participate in the Scheme cannot participate in the scheme (at all) for their 'traditional' public accounting services even though the financial services continue to be unchanged and are limited financial services.

Scenario 2

- **Member is not an Authorised Representative/ Representative**
- **The Member is the Director of a practice entity that is also a Corporate Authorised Representative (CAR) of an AFS licensee that is not a limited licensee**
- **The practice entity offers 'traditional' accounting services as well as financial services**
- **A non-member is sub-authorised to provide financial advisory services**
- **The advice authority is limited (e.g. restricted to give advice on SMSF advice only, etc.) OR**
- **The advice authority is more extensive than advice previously allowed under the 'accountants exemption'.**

Can this member participate in the Scheme?

Under scenario 2, can the member participate in the Scheme?



The answer is No.

This is because the member is a Director of a practice entity that is an Authorised Representative of an AFS licensee that is not a limited licensee.

This is despite the fact that the member does not personally provide financial advice services. In some cases, members could still be considered a 'Representative' (under section 910A of the Corporations Act).

Therefore, it is important that members consider all relationships and associations when completing their self-assessment.

True or False: The Scheme excludes PPC holders who are Directors of a practice where an employee of the practice (who is not a CPA PPC holder) is an Authorised Representative of an AFS licensee that is not a limited licensee.



The answer is True.

Members employing an Authorised Representative of an AFS licensee that is not a limited licensee will not be covered by the Scheme.

This is despite the fact that the member does not personally provide financial advice services.

Members should consider relationships they may have with persons (such as employees) and not just the licensing solutions that you might have with respect to the provision of financial advice services within your practice.

If the AFS licensee is a limited licensee, then subject to any other relationship to be assessed, members would be able to participate in the Scheme.

True or False: If your advice authority issued from your AFS licensee (who is not a limited licensee) is restricted, to say SMSF advice, then you are eligible to participate in the Scheme.



The answer is False.

Members that are Authorised Representatives of an AFS licensee that is not a limited licensee or members that hold an AFS licence that is not a limited licence, will not be covered by the Scheme. This includes situations where the advice authority is limited or restricted (to say SMSF advice only) or the AFS licence authorisations are restricted. This was the case with the previous Scheme.

To clarify - it is important for members to know who has issued their advice authority. We understand that some AFS licensees are using incorrect terminology with members. The vast majority of limited advice authorities are not issued by a limited licensee. If you are unsure, please ensure you ask your licensee if they are a limited licensee or not. They will know this.

Scenario 3

- **Member is not an Authorised Representative or Representative of any AFS licensee**
- **Member themselves does not offer or provide financial services**
- **Member has a relationship with a person who is an Authorised Representative / Representative of an AFS licensee**
- **Member is a Director of a (separate) related practice where an employee is an Authorised Representative / Representative of an AFS licensee (that is not a limited licensee)**
- **The (separate) related practice employs an Authorised Representative / Representative of an AFS licensee (that is not a limited licensee)**
- **The authorisation is limited (e.g. restricted to give advice on SMSF advice only, etc.) OR**
- **The advice authority is more extensive than advice previously allowed under the 'accountants exemption'.**

Would this member be eligible to participate in the Scheme?

The answer is No.

Despite the member having separately structured their practices - because there is a common director and albeit that the other entity provides financial services, the member cannot participate in the Scheme.

The member's relationships with persons in a related entity and the licensing solutions that are in place with respect to the provision of financial advice services within the other practice mean the member is a 'Representative'.

QUESTIONS AND ANSWERS

I just wish to know whether accountants who are mortgage brokers (Credit Representatives) are covered under the Scheme?

Members who hold an Australian Credit Licence (ACL), or who are representatives of an ACL holder, are not covered under the current Scheme.

CPA Australia continues to be in consultation with the Professional Standards Council to see if we can broaden the coverage our scheme. We hope to be in a position to provide clarification to members shortly.

I will not be applying for a PPC until mid-2019. Will you please give a practical example of when a CPA member has needed the Professional Standards Scheme as well as the result?

The Professional Standards Scheme provides an additional level of risk protection over and above the primary level of professional indemnity insurance. If an insurance claim for an act or omission (mistake) in a defined public practice service is made for an amount over the minimum scheme cap (\$2m or above) the claim amount is capped under state / territory legislation.

I work for a management firm as opposed to a traditional Public Practice firm. I have a PPC and have always held indemnity insurance to cover the services that may be construed as financial advice, though our core business is not financial. I'm concerned the self-assessment looks at traditional public practice firms. What is your view on that?

The self-assessment tool considers whether or not members provide Public Accounting Services, which is part of how CPA Australia's By-Laws define whether or not you require a Public Practice Certificate. Terminology currency and being compatible with legislative and regulatory changes is under review as part of the application for the new Scheme commencing in 2019.

If the firm is going to obtain a limited AFSL, does the firm have to purchase a separate PI insurance?

In some cases, you may need to purchase a separate PII policy for the limited licence activities - this will depend on the insurance policy terms and conditions and whether the policy will automatically include limited licence activities as an 'accounting activity'.

For example, the CPA Australia preferred scheme policy offered by Fenton Green provides members with automatic cover for limited licence activities if the licence is held. Not all PI insurance policies will extend cover to include limited licence activities and it is important you check your policy wording carefully before applying for a limited licence (ASIC will also request a copy of the PI policy).

Please ensure your insurer/ broker is fully aware of all activities you would like covered to ensure you obtain appropriate cover.

What is this self-assessment and when did it become available?

When the current Scheme commenced (from 23 December 2017), we required all PPC holders to consider their circumstances and determine whether they were a Scheme member.

Late changes in the Scheme Instrument meant that many PPC holders were no longer eligible to participate in the Scheme. As a result, we need every PPC holder to review their eligibility and advise us of their outcome - i.e. I am eligible to participate in the Scheme or, I am not eligible to participate in the Scheme. This is the only sentence we really need.

Is a member who primarily does traditional accounting work and is a representative of CPA Australia Advice to advise on SMSFs not be covered by the group policy?

In this scenario, the Authorised Representative of CPAA Advice is not covered by the Scheme - however, ALL PPC holders are covered under the group excess policy.

Financial Planning services are excluded from the Group Excess policy as the AFS Licensee should provide full cover for your financial planning/advice activities. The traditional accounting services would still be covered by the Group Excess policy (even if you also provide financial planning services as only these services or advice are excluded). More information on the Group Excess policy is available in the [policy wording](#).

If you do any advice work in your practice, or a separate entity that you direct, are you not covered?

In most scenarios, it is likely you would not be covered under the current Scheme.

For example, if you are the Authorised Representative and also the director of the separate entity which only offers traditional accounting services, then neither entity is covered under the Scheme.

However, legal advice is needed if for example you were a shareholder but not director, etc. – the definition "Representative" requires legal interpretation and can be different for every member as structures and arrangements vary.

FURTHER INFORMATION

For help or to suggest other topics for live online chats please email livechats@cpaustralia.com.au

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